



REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS WITH
FEDERAL AWARDS SUPPLEMENTARY INFORMATION

OREGON RESEARCH INSTITUTE

December 31, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Oregon Research Institute

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Oregon Research Institute, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Oregon Research Institute as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Oregon Research Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Research Institute's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Oregon Research Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Oregon Research Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2024, on our consideration of Oregon Research Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oregon Research Institute's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oregon Research Institute's internal control over financial reporting and compliance.

Moss Adams LLP

Portland, Oregon
March 22, 2024

Oregon Research Institute Statements of Financial Position

ASSETS		December 31,	
	2023	2022	
CURRENT ASSETS			
Cash and cash equivalents	\$ 162,823	\$ 152,422	
Grants and contracts receivable	588,313	641,950	
Prepaid expenses and deposits	69,053	61,460	
Total current assets	820,189	855,832	
PROPERTY AND EQUIPMENT, less			
accumulated depreciation and amortization	123,874	112,267	
OPERATING LEASE RIGHT-OF-USE ASSETS, NET			
	593,990	840,398	
OPERATING LEASE RIGHT-OF-USE ASSETS, NET - Millrace lease			
	-	14,902,065	
OTHER ASSETS			
Investment in OR-BIS	159,200	159,200	
Beneficial interest in assets held by others	66,514	408,794	
Sublessee security deposits	-	182,978	
Total assets	\$ 1,763,767	\$ 17,461,534	
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 120,144	\$ 153,878	
Accrued payroll and related expenses	488,398	456,498	
Accrued leave payable, current portion	67,389	74,396	
Operating lease liabilities, current portion	303,191	276,520	
Operating lease liabilities - Millrace lease, current portion	-	1,591,264	
Long-term debt, current portion	10,424	51,649	
Total current liabilities	989,546	2,604,205	
LONG-TERM LIABILITIES			
Accrued leave payable	107,067	91,831	
Long-term debt	-	10,435	
Operating lease liabilities, net of current portion	298,914	565,984	
Operating lease liabilities, net of current portion - Millrace lease	-	13,310,801	
TOTAL LIABILITIES			
	1,395,527	16,583,256	
NET ASSETS			
Net Assets without donor restrictions	368,240	878,277	
Total net assets	368,240	878,277	
Total liabilities and net assets	\$ 1,763,767	\$ 17,461,534	

Oregon Research Institute

Statements of Activities

	Years Ended December 31,	
	2023	2022
	Without Donor Restrictions	Without Donor Restrictions
REVENUES, GAINS AND OTHER SUPPORT		
Grants and contracts	\$ 7,165,029	\$ 7,006,353
Interest income	1,954	1,956
Contributions and donations	5,547	7,411
Other income and investment loss	(103,638)	(135,278)
Total revenues, gains, and other support	<u>7,068,892</u>	<u>6,880,442</u>
EXPENSES		
Program services:		
Healthy Child Development	1,782,542	1,493,404
Physical Health	1,125,085	1,345,482
Psychological Health	1,086,580	1,400,033
Prevention and Treatment	<u>771,764</u>	<u>379,263</u>
Total program services	4,765,971	4,618,182
Support services	2,774,897	2,443,861
Depreciation and amortization	<u>38,061</u>	<u>89,632</u>
Total support services	2,812,958	2,533,493
Total expenses	<u>7,578,929</u>	<u>7,151,675</u>
CHANGE IN NET ASSETS	(510,037)	(271,233)
NET ASSETS, beginning of year	<u>878,277</u>	<u>1,149,511</u>
NET ASSETS, end of year	<u>\$ 368,240</u>	<u>\$ 878,277</u>

**OREGON RESEARCH INSTITUTE
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023 Program Services					2023 Support Services	2023 Total Expenses
	Healthy Child Development	Physical Health	Psychological Health	Prevention and Treatment	Total		
Personnel	\$ 1,246,859	\$ 855,027	\$ 960,019	\$ 478,064	\$ 3,539,969	\$ 1,491,424	\$ 5,031,393
Subcontracts/Consultants	508,046	133,655	115,033	259,079	1,015,813	465,495	1,481,308
Participant fees and similar incentives	4,024	19,490	6,243	32,125	61,882	2,122	64,004
Meetings, travel, and training	7,146	40,137	1,467	1,382	50,132	67,723	117,855
Occupancy	11,260	74,776	2,708	645	89,389	447,678	537,067
Financing and investment costs	-	-	-	-	-	1,255	1,255
Equipment, below \$5,000	5,207	2,000	1,110	469	8,786	299,200	307,986
Depreciation and amortization	-	-	-	-	-	38,061	38,061
Total expenses	\$ 1,782,542	\$ 1,125,085	\$ 1,086,580	\$ 771,764	\$ 4,765,971	\$ 2,812,958	\$ 7,578,929

	2022 Program Services					2022 Support Services	2022 Total Expenses
	Healthy Child Development	Physical Health	Psychological Health	Prevention and Treatment	Total		
Personnel	\$ 1,099,017	\$ 893,007	\$ 1,173,786	\$ 367,485	\$ 3,533,294	\$ 1,058,111	\$ 4,591,406
Subcontracts/Consultants	345,336	369,556	203,595	145	918,632	236,476	1,155,108
Participant fees and similar incentives	8,517	10,032	12,270	1,130	31,949	535	32,484
Meetings, travel, and training	15,364	14,677	2,573	5,708	38,322	8,566	46,888
Occupancy	22,030	55,753	4,885	613	83,280	848,733	932,013
Financing and investment costs	-	-	-	-	-	3,094	3,094
Equipment, below \$5,000	3,141	2,457	2,924	4,182	12,704	288,346	301,050
Depreciation and amortization	-	-	-	-	-	89,632	89,632
Total expenses	\$ 1,493,404	\$ 1,345,482	\$ 1,400,033	\$ 379,263	\$ 4,618,182	\$ 2,533,493	\$ 7,151,675

See accompanying notes.

Oregon Research Institute

Statements of Cash Flows

	Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (510,037)	\$ (271,233)
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:		
Depreciation and amortization	38,061	89,632
Loss (gain) on investments	(10,623)	133,604
Rent expense ASC 842	6,010	2,105
Changes in assets and liabilities:		
Grants and contracts receivable	53,637	6,149
Prepaid expenses and deposits	175,385	(33,163)
Accounts payable	(33,736)	(24,872)
Accrued payroll and related expenses	31,900	50,551
Accrued leave payable	8,229	(10,569)
Other long-term liabilities	-	(46,545)
Net cash from (used in) operating activities	<u>(241,174)</u>	<u>(104,341)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to beneficial interest in assets held by others	(5,547)	(7,411)
Distributions from beneficial interest in assets held by others	358,450	-
Purchases of property and equipment	<u>(49,668)</u>	<u>-</u>
Net cash from (used in) investing activities	<u>303,235</u>	<u>(7,411)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt	<u>(51,660)</u>	<u>(53,460)</u>
Net cash used in financing activities	<u>(51,660)</u>	<u>(53,460)</u>
NET CHANGE IN CASH	10,401	(165,212)
CASH AND CASH EQUIVALENTS, beginning of year	<u>152,422</u>	<u>317,632</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 162,823</u>	<u>\$ 152,422</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 1,255</u>	<u>\$ 3,094</u>

Note 1 – Nature of Organization and Summary of Significant Accounting Policies

Nature of organization

Oregon Research Institute (ORI or the Institute) was incorporated under the laws of the State of Oregon, with the purpose of providing charitable, scientific and educational research. The Institute is supported primarily by research grants from the U.S. Department of Health and Human Services and the U.S. Department of Education. The Institute's primary facilities are located in Springfield, Oregon, with a branch office in Albuquerque, New Mexico.

Functional expenses

Expenses for the Institute are summarized according to the functional classification of program services and support services. The activities are segregated as follows:

Program services

Promoting healthy child development – Researchers in this area examine the role that families, schools, friends, neighborhoods, and communities play in promoting the positive development of children, teens, and young adults. The research teams study what leads to social and academic success as well as what leads to problem behaviors, such as substance use and school failure. ORI scientists work with schools and parents to refine and adapt evidence-based programs such as literacy strengthening, social skills programs, and parent training programs.

Promoting physical health – ORI researchers are studying ways to keep people of all ages physically healthy. ORI's work in chronic illness prevention began in the 1980s with research to find ways to help people with diabetes manage their illness. The study and promotion of physical activity began in the 1990s with important longitudinal research on the factors which influence children and youth to become and remain physically active and with important clinical trials of the benefits of Tai Chi exercise for the elderly.

Promoting psychological health – ORI scientists study emotional and behavioral disorders as well as normative development and personality, in order to better understand factors that make people vulnerable to serious mental health disorders as well as factors that increase resilience, that is, that help people cope with daily challenges. An important component of research in this area is developing and evaluating interventions for the prevention and treatment of disorders.

Treating tobacco, alcohol and illegal drug use – ORI's work in this area dates from research funding obtained in the late 1970's to study tobacco use in young people. Since then, research interests have broadened to include research on the prevention of alcohol and other drug use among youth. Two important ORI longitudinal studies – one on peer and family influences on youth drug use, and the other on young children's knowledge of and intent to use alcohol and drugs – have provided valuable guidance in the development of substance abuse prevention programs.

Support services

These expenses relate to the administration, fiscal, personnel, and organization-wide functions necessary for the Institute to operate.

Oregon Research Institute

Notes to Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of presentation

The Institute, as a not-for-profit organization, follows the accounting guidance prescribed by the Financial Accounting Standards Board (FASB) for not-for-profit organizations.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Institute and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions.

The Institute does not have net assets with donor restrictions.

Properties and equipment (property)

Purchased properties are recorded at cost. Donated properties are recorded at their estimated fair market value on the date of gift. Expenditures for maintenance and repairs are expensed, while renewals and betterments are capitalized. Assets purchased with a cost of less than \$5,000 are not accounted for as property; however, the Institute maintains records for federal grant and insurance purposes. The cost and accumulated depreciation of property sold or otherwise disposed of are eliminated from the accounts and the resulting gains or losses are reflected in revenue and expenses. Depreciation and amortization are computed using straight-line methods over the estimated lives of the related assets ranging from 2 to 15 years. Depreciation and amortization expense was \$38,060 and \$89,632 for the years ended December 31, 2023 and 2022, respectively.

Revenue recognition

The Institute recognizes revenue as qualified expenses are incurred, subject to the amount authorized in the grant agreement. Unreimbursed grant expenses due from grantor agencies are reflected in the financial statements as receivables and revenues.

Grants and contracts receivable

Grants and contracts receivable include amounts billed and unbilled on grants and other agreements through December 31. As of December 31, 2023 and 2022, no allowance for uncollectible receivables was deemed necessary by management, as all amounts are considered collectible.

Income taxes

The Institute is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the Institute qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Institute follows the provisions of FASB Accounting Standards Codification (ASC) 740-10, *Income Taxes*, relating to accounting for uncertain tax positions and there is no financial statement impact to the Institute. The Institute recognizes the tax benefit from uncertain tax position only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Institute recognizes interest and penalties related to income tax matters in support expenses. The Institute had no uncertain tax positions at December 31, 2023.

Cash and cash equivalents

For purposes of the statement of cash flows, the Institute considers all highly liquid investments and debt instruments purchased with a maturity of three months or less to be cash equivalents. The balances at December 31, 2023 and 2022 are composed of two regional banks' demand deposit and money sweep accounts.

Grants and contracts

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of the Institute. Management believes that unallowable costs, if any, would not be significant and would not have a material adverse effect on the Institute's financial position.

Concentration of credit risk

Financial instruments that potentially subject the Institute to credit risk consist of cash and receivables. The Institute's cash balances are with federally insured banks and periodically the Institute's deposits exceed insured limits. The Institute's receivables are primarily from governmental entities.

Leases

Under Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, the Institute determines if an arrangement contains a lease at the inception date. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration. Leases are to be classified as finance or operating at the lease commencement date, which affects the classification of expense recognition in the statements of activities. Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligation to make lease payments, as agreed to in the lease.

Operating lease liabilities and the corresponding ROU assets are recognized based on the present value of the future minimum lease payments over the expected remaining lease term. For this purpose, the Institute considers only payments that are fixed and determinable at the time of commencement. Operating ROU asset is measured as the amount of the initial measurement of the lease liability, adjusted for prepaid or accrued lease payments, the remaining balance of any lease incentive received, unamortized initial direct costs, and any impairment of the ROU asset. The initial measurement of lease

Oregon Research Institute

Notes to Financial Statements

liabilities and right-to-use assets of finance leases is the same as for operating leases. As most of the Institute's leases do not provide an implicit interest rate, the Institute utilizes the nonpublic business entity alternative to use the risk-free rate over a similar term of the lease payments at commencement date to determine the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Institute will exercise that option.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as part of expenses. Leases with a lease term of 12 months or less are not capitalized. The Institute evaluates the carrying value of ROU assets for indicators of impairment and performs an analysis of the recoverability of the related asset group. If the carrying value of the asset group is determined to be in excess of the estimated fair value, the Institute will record an impairment loss in the statements of activities and net assets. Additionally, the Institute reviews the carrying value of the ROU assets for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable, require reassessment of the leases, and remeasurement if needed.

Fair value of financial instruments

The Institute has adopted FASB authoritative guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Finance staff determine fair value measurement policies and procedures under the supervision of the Director of Finance and Administration and Finance Committee. These policies and procedures are reassessed annually to determine if current valuation techniques are still appropriate. A variety of qualitative factors are used to subjectively determine the most appropriate valuation methodologies. Methodologies are consistent with the market, income and cost approaches. Unobservable inputs used in fair value measurements are evaluated and adjusted on an annual basis, or as necessary based on current market conditions and other third party information.

The fair values of the Institute's financial instruments have generally been determined to fall within Level 1 of the valuation hierarchy, with the exception of funds held by The Oregon Community Foundation and the Investment in OR-BIS which are considered Level 3 investments. See Note 5 – Other Assets.

Support concentration

The U.S. Department of Health and Human Services funded \$3,624,880 and \$3,543,265 in the years ended December 31, 2023 and 2022, respectively which was 51.3% and 51.5% of the total revenue received. The U.S. Department of Education funded \$1,725,747 and \$1,561,281 in the years ended December 31, 2023 and 2022 respectively which was 24.4% and 22.7% of the total revenue received. These grants cover project periods expiring at various dates through June 2028.

Advertising costs

The Institute expenses advertising costs as incurred. Advertising expense was \$4,338 and \$2,750 for the years ended December 31, 2023 and 2022, respectively.

Accounting standards update

In 2016, the FASB issued ASC Topic 326 - *Troubled Debt Restructurings and Vintage Disclosures*, which amends previously issued guidance regarding the impairment of financial instruments by creating an impairment model that is based on expected losses. The Institute adopted Topic 326 on January 1, 2023, which had no material impact on its financial position, changes in net assets, or cash flows.

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Institute recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Institute's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.

The Institute has evaluated subsequent events through March 22, 2024, which is the date the financial statements were available to be issued.

Note 2 – Grants and Contracts Receivable

Grants and contracts receivable consist of the following:

	December 31,	
	2023	2022
U.S. Department of Education	\$ 40,071	\$ 129,301
U.S. Department of Health and Human Services	69,088	133,840
Pass through grants	479,154	378,810
	\$ 588,313	\$ 641,950

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Oregon Research Institute

Notes to Financial Statements

	December 31,	
	2023	2022
Cash and cash equivalents	\$ 162,823	\$ 152,422
Grants and contracts receivable	588,313	641,950
	<u>\$ 751,136</u>	<u>\$ 794,372</u>

ORI's cash flows follow the cycle of monthly reimbursement from Federal Funders for expenses incurred on research grants. The Organization maintains a \$250,000 line of credit with a bank that can be drawn upon as needed during the year to manage cash flows.

Note 4 – Property and Equipment

Property and equipment consist of the following:

	December 31,	
	2023	2022
Facilities equipment	\$ 223,430	\$ 213,790
Technology equipment and software	586,348	546,321
Research equipment	102,175	102,175
	911,953	862,285
Less accumulated depreciation and amortization	<u>(788,079)</u>	<u>(750,018)</u>
	<u>\$ 123,874</u>	<u>\$ 112,267</u>

Note 5 – Other Assets

Investment in OR-BIS (DBA Influents Innovations)

On January 19, 2016, Oregon Research Behavioral Intervention Strategies, Inc. (OR-BIS) was incorporated in the State of Oregon as a C-Corporation. OR-BIS applies behavioral sciences to the improvement of human well-being through the development and commercialization of evidence-based products and programs directed at health care and education. ORI purchased one hundred shares of ordinary stock at no par value for \$2,500, resulting in 48% ownership in OR-BIS. ORI recognizes an investment in OR-BIS on the statement of financial position under the equity method. An unrealized loss of \$68,487 and \$2,073 were recognized for the years ended December 31, 2022 and 2021, respectively and is included in other income and investment loss on the statements of activities. Information was not available from OR-BIS for calculating a change in ORI's investment as of December 31, 2023.

Beneficial interest in assets held by others

The Institute provides funds for the Oregon Research Institute Fund (the Fund) with the Oregon Community Foundation (OCF). OCF is the legal owner of the Fund. In accordance with a December 1999 agreement, OCF is required to make annual distributions of a portion of the value of the Fund to ORI. However, at the request of ORI, those distributions have been deferred until the fund reaches a specified level. Additionally, the agreement also grants to OCF the power to modify the restrictions and conditions of the Fund agreement to include the nature and timing of distributions as the OCF Board of Directors

Oregon Research Institute Notes to Financial Statements

sees fit. This provision is considered variance power.

As of December 31, 2023, \$66,514 has been recognized in the statement of financial position of the Institute, and is considered a beneficial interest in assets held by others (\$408,794 as of December 31, 2022). The beneficial interest is invested in the Boston Common Asset Management Fund, in a mix of United States equities, international equities, and fixed income instruments; all of which are traded in public markets. The fair value of the beneficial interest is recorded at current fair value.

The following schedule summarizes the activity in the Fund, stated at fair value, for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 408,794	\$ 466,500
Increases:		
Transfers to OCF	5,547	7,411
Interest and Dividend income on investments	1,898	1,924
Realized gain on investments	42,117	1,758
Decreases		
Unrealized loss on investment	(31,718)	(65,574)
OCF Fees	(1,674)	(3,225)
Distributions	<u>(358,450)</u>	<u>-</u>
	<u>\$ 66,514</u>	<u>\$ 408,794</u>

Note 6 – Line of Credit

The Organization maintains a line of credit for \$250,000 with a variable interest rate of 1.5 percentage points over the prime lending rate. However, under no circumstances will the interest rate on the line of credit be more than the maximum rate allowed by applicable law. The interest rate was 10.0% as of December 31, 2023 and 8.75% as of December 31, 2022. The balance on the line of credit was zero as of December 31, 2023 and December 31, 2022. The line of credit expires in October of 2024. The line of credit is collateralized with property and equipment.

Oregon Research Institute

Notes to Financial Statements

Note 7 – Long-Term Debt

	December 31,	
	<u>2023</u>	<u>2022</u>
On November 11, 2020 the Institute initiated a \$120,745 note payable for purchasing a new computer file storage array. The note is secured by equipment, deposit accounts, and accounts receivable, and payable to Oregon Pacific Bank in monthly installments of \$3,535 at an annual interest rate of 3.35%. The note matured in November 2023.	\$ -	\$ 38,134
On September 29, 2021 the Institute initiated a \$40,250 note payable for purchasing a new Cisco network firewall. The note is secured by equipment, deposit accounts, and accounts receivable, and payable to Oregon Pacific Bank in monthly installments of \$1,178 at an annual interest rate of 3.35%. The note matures in September 2024.	<u>10,424</u>	<u>23,950</u>
Less current portion	<u>10,424</u> <u>(10,424)</u>	<u>62,084</u> <u>(51,649)</u>
	<u>\$ -</u>	<u>\$ 10,435</u>

Note 8 – Leases

The Institute leases its office facilities under operating leases under noncancelable agreements expiring at various dates through 2028. The leases provide for monthly minimum rent payments, and some include an option to renew.

For the year ended December 31, 2023, the operating lease expense is \$303,504.

For the year ended December 31, 2023, supplemental cash flow information and other information related to leases are as follows:

Other information for the year ended December 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$296,209
ROU assets obtained in exchange for new operating lease liabilities in 2023	\$36,019
Weighted-average remaining lease term in years for operating leases	2.15
Weighted-average discount rate for operating leases	2.79%

Maturities of lease payments under operating leases for the year ending December 31, 2023, are as follows:

Oregon Research Institute Notes to Financial Statements

	2024	\$	315,346
	2025		245,496
	2026		33,516
	2027		21,301
	2028		<u>3,500</u>
	Total		619,159
Less present value discount			<u>(17,053)</u>
Total lease liabilities			602,106
Less current portion			<u>303,191</u>
Long-term portion	\$		<u><u>298,914</u></u>

Total minimum annual rental payments have not been reduced by minimum sublease rentals in the future under non-cancelable subleases, as of December 31, 2023.

Note 9 – Related Party Transactions

Service agreements

The Institute provides office space and certain administrative services for three companies, two of which are affiliated with ORI. All three companies are separately controlled companies, however, some employees of the companies are also employees of the Institute. For the years ended December 31, 2023 and 2022, service reimbursements under these agreements totaled \$193,090 and \$277,701, respectively.

Note 10 – Retirement Plan

The Institute makes contributions to tax sheltered annuities for all salaried employees who are one-half the full time equivalent or more. The annuities are established under Internal Revenue Code Section 403(b) which is available to certain tax exempt organizations. The Institute's contribution rate was 8.0% of the employee's salary in 2023 and 2022. For eligible employees who elect salary deferred contributions of at least 2% of their compensation, the Institute increases by 2% its contributions made on their behalf. Contributions to the plan were \$453,051 and \$315,658 in 2023 and 2022, respectively.

Note 11 – Contingencies

Grants

The Institute has grants with various organizations and government agencies which are subject to audit. Management believes that any liability which may result from these audits would not be material.

Legal

Oregon Research Institute

Notes to Financial Statements

The Institute is a party to certain legal actions arising in the ordinary course of business. In the opinion of management, additional liabilities, if any, under these actions will not result in material charges against net assets.

Note 12 – Indirect Administrative Expenses

Indirect administrative expenses have been allocated to the various programs. For the years ended December 31, 2023 and 2022, the provisional indirect rate to on-site programs was 58.6% (final for 2022 and provisional for 2023).

Note 13 – Chapter 11 Bankruptcy

The Institute filed a Chapter 11, Subchapter V reorganization case in U.S. Bankruptcy Court on July 27, 2022 to address issues related to its former building lease on Millrace Drive in Eugene, Oregon. On May 16, 2023, the Court issued an order confirming the settlement plan between the Institute and its creditors. The Institute paid creditors a total of \$358,450, using unrestricted funds. The settlement released the Institute from the obligation of its former lease. On August 23, 2023, the Court issued a final decree that closed the Institute's bankruptcy case. The change in lease obligation resulting from the Chapter 11 settlement is reflected in the removal of \$14,902,065 as a right of use asset associated with the Millrace lease and a corresponding \$14,902,065 liability, split into current and long-term liabilities on the statements of financial position.

Supplementary Information

Oregon Research Institute
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
RESEARCH AND DEVELOPMENT CLUSTER				
DEPARTMENT OF EDUCATION				
<u>Direct Programs</u>				
Education Research, Development and Dissemination	84.305		\$ 372,999	49,041
Research in Special Education	84.324		434,932	139,109
Education Innovation and Research	84.411		<u>917,816</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION DIRECT PROGRAMS			<u>1,725,747</u>	<u>188,150</u>
<u>Pass-Through Program From:</u>				
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Education Research, Development and Dissemination	84.305	R305A230399	6,799	-
Southern Methodist University - Research in Special Education	84.324	R324A200151	40,591	-
University of Louisville - Research in Special Education	84.324	R324A190173	138,640	-
Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Research in Special Education	84.324	R324A230007	10,927	-
Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Research in Special Education	84.324	R324A150138	103,302	-
Oregon State Board of Higher Education for and on Behalf of the University of Oregon - Research in Special Education	84.324	R324R200005	79,641	-
University of Tennessee - Research in Special Education	84.324	R324A220269	11,999	-
Trustees of Boston University - Research in Special Education	84.324	R324A210296	28,133	-
University of North Carolina at Charlotte - Research in Special Education	84.324	R324A220161	21,637	-
University of Maryland - Research in Special Education	84.324	R324A220267	<u>104,333</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION SUBRECIPIENT PROGRAMS			<u>546,002</u>	<u>-</u>
TOTAL DEPARTMENT OF EDUCATION ALL PROGRAMS			<u>2,271,749</u>	<u>188,150</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)				
<u>Direct Programs</u>				
Oral Diseases and Disorders Research	93.121		45,591	11,125
Mental Health Research Grants	93.242		1,586,204	259,720
Drug Abuse and Addiction Research Programs	93.279		334,482	-
Aging Research	93.866		<u>1,658,604</u>	<u>109,546</u>
TOTAL DHHS DIRECT PROGRAMS			<u>\$ 3,624,881</u>	<u>\$ 380,391</u>

Oregon Research Institute

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS) (continued)				
<u>Pass-Through Program From:</u>				
Oregon Research Behavioral Intervention Strategies, Inc. - Chronic Diseases: Research, Control, and Prevention	93.068	1R43CE003534	51,306	-
Saavsus, Inc. - Food and Drug Administration Research	93.103	1R43DP006743	38,433	-
Oregon Research Behavioral Intervention Strategies, Inc. - Oral Diseases and Disorders Research	93.121	2R44DE027001	8,378	-
Northwestern University - Research on Healthcare Costs, Quality and Outcomes	93.226	1R18HS027088	33,425	-
Stanford University - Mental Health Research Grants	93.242	5R33MH111782	94,164	-
Case Western Reserve University - Mental Health Research Grants	93.242	1R01MH122213	24,312	-
Stanford University - Mental Health Research Grants	93.242	5R01MH112743	264,059	-
Oregon Research Behavioral Intervention Strategies, Inc. - Mental Health Research Grants	93.242	2R44MH123278	130,471	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Mental Health Research Grants	93.242	1R01MH133225	24,389	-
University of Pittsburg - Mental Health Research Grants	93.242	2R01MH096951	22,116	-
Oregon Research Behavioral Intervention Strategies, Inc. - Mental Health Research Grants	93.242	1R43MH124577	18,562	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - Mental Health Research Grants	93.242	R01MH126109	46,400	-
University of Michigan - Drug Abuse and Addiction Research Programs	93.279	1R01DA055027	42,698	-
Arizona Board of Regents for and on behalf of Arizona State University - Drug Abuse and Addiction Research Programs	93.279	1R01DA053740	32,310	-
Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Health Disparities Research	93.307	1R43MD015947	11,657	-
Saavsus, Inc. - Minority Health and Health Disparities Research	93.307	1R43MD018245	9,391	-
Oregon Research Behavioral Intervention Strategies, Inc. - Minority Health and Human Development Extramural Research	93.307	1R43MD018557	19,085	-
Saavsus, Inc. - Minority Health and Health Disparities Research	93.307	2R44MD015695	26,687	-
Oregon Health and Science University - Cancer Detection and Diagnosis Research	93.394	5R01CA222605	61,588	-
Stanford University - Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	5R01DK112762	105,779	-
Stanford University - Child Health and Human Development Extramural Research	93.865	5R01HD093598	86,010	-
			<u>1,151,220</u>	<u>-</u>
TOTAL DHHS SUBRECIPIENT PROGRAMS			<u>1,151,220</u>	<u>-</u>
TOTAL DHHS ALL PROGRAMS			<u>4,776,101</u>	<u>380,391</u>
National Science Foundation (NSF)				
<u>Pass-Through Program From:</u>				
University of Texas at Austin - STEM Education	47.076	2010550	68,453	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - STEM Education	47.076	2101308	44,252	-
Oregon State Board of Higher Education for and on behalf of the University of Oregon - STEM Education	47.076	2300233	4,474	-
			<u>117,179</u>	<u>-</u>
TOTAL NSF SUBRECIPIENT PROGRAMS			<u>117,179</u>	<u>-</u>
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			<u>7,165,029</u>	<u>568,541</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 7,165,029</u>	<u>\$ 568,541</u>

Oregon Research Institute
Notes to Schedule of Expenditures Of Federal Awards
For the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Expenditures reported on this Schedule of Expenditures of Federal Awards (the “Schedule”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where applicable.

Note 2 – Indirect Cost Rate

Oregon Research Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance during the fiscal year ended December 31, 2023.

Note 3 – Basis of Presentation

The accompanying Schedule includes the federal grant activity of Oregon Research Institute under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Oregon Research Institute, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Oregon Research Institute.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Oregon Research Institute

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oregon Research Institute, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oregon Research Institute's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oregon Research Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Oregon Research Institute's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oregon Research Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Portland, Oregon
March 22, 2024

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Oregon Research Institute

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Oregon Research Institute's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Oregon Research Institute's major federal program for the year ended December 31, 2023. Oregon Research Institute's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Oregon Research Institute complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Oregon Research Institute and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Oregon Research Institute's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Oregon Research Institute's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Oregon Research Institute's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Oregon Research Institute's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Oregon Research Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Oregon Research Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Oregon Research Institute's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Portland, Oregon
March 22, 2024

Oregon Research Institute
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of Major Federal Programs and Type of Auditor’s Report Issued on Compliance for Major Federal Programs:

<i>Federal Assistance Listing Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
Various	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported



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